

Board of Trustees of the Retirement System
Notes of the Meeting May 5, 2005

Present

V. Daniel Radford
Bill Moller
Ely Ryder
Brian Pickering

Absent

Charlie Luken
Valerie Lemmie
Joe Harrison
Michael Rachford
Marijane Klug
John Cranley

There were not enough members present for a quorum, so the minutes were held for approval at the next meeting scheduled for June 2, 2005. The members who were present discussed the following items on the Agenda.

Benefits Committee

Mr. Pickering reported that the Benefits Committee met on April 28, 2005, and that the Committee has a recommendation to approve one application for disability retirement. Because there was no quorum for this Board meeting, the Benefits Committee items were held for approval at the June 2, 2005 meeting.

1. Application for Ordinary Retirement May 7, 2005: Total – 18

NO.	NAME	DEPARTMENT
32649	Jessie Sears	Health
40273	Theresa Williams	Police
41960	Lynn Goodwin	Public Services
42749	James Kamphaus	MSD
42749	Rhodia Charlton	Human Resources
42875	Virginia Meacham	Health
42931	Barry Vorbroker	MSD
43064	Paul Dunteman	Water Works
43129	Julius Mader	Water Works
43163	Beverly Gibert	University of Cincinnati
43167	Carol Youngs	University of Cincinnati
43210	Earl Siegel	University Hospital
44303	Paul Tomes	Water Works
46991	Ronald Jordan	MSD
47059	Michael Bockhorst	MSD
48383	Linda Call	MSD
50122	William Bell	Public Services
50679	Lois Hungler	Water Works

2. Application for Retired Members Deaths: Total – 10

3. Application for Deferred Retirement: Total – 1

NO.	NAME	DEPARTMENT
50839	Julie Simon	Recreation

4. Application for Active Member Death: Total - 1

NO.	NAME	DEPARTMENT
62225	Lois Smith	Transportation & Engineering

Investment Committee

Mr. Moller reported that the Investment Committee did not meet in May 2005. Mr. Moller did comment that the Committee would be meeting on May 6, and included on the agenda is a presentation by large-cap value manager Gradison McDonald. Also on the agenda is the 1st quarter investment performance report that would be presented by the investment consultant.

Secretary's Report

Mr. Moller commented that the Mayor and City Manager issued a joint response to Councilmember Smitherman regarding a comment that he made in an e-mail that suggested the CRS was insolvent. A copy of that response was included in the agenda packet as an informational item. Also included in the agenda packet as an informational item was the motion made by Councilmembers Sam Malone and Chris Monzel that the City administration investigate the possibility of merging CRS into the Ohio Public Employees Retirement System.

Mr. Moller reported that the asset level of the fund was \$2.35 billion as of March 30, 2005. This represents a decrease of about 1.7% year-to-date, but about 1.5% higher than the assets held one year ago. Mr. Moller also reported that each asset class was within the target ranges defined in the investment policy statement, and that \$9.0 million was withdrawn in equal amounts from both the domestic equity managers and international equity managers in order to meet the May cash needs.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 74
2. Resolution for Return of Contributions & Death Benefits– Total: 34
Amount: \$115,586.91
3. Resolution for Loans to Members – Total: 50 Amount: \$555,465.52
4. Report on Deaths of Pensioned Members – Total: 17

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
All Star Personnel, Inc. – Temporary Personnel Services	\$3,000.55
Leisa Julian – Mileage Reimbursement for Pension Manager Interview	\$99.63
City Facility Management – Reimbursement for expenses incurred at the Public Hearing held 3/3/05	\$217.76
ABS Business Products Inc. – Monthly Rental base Rate for Copier	\$180.60
IDC Servico Business Products – Payment for Toshiba Toner	\$397.86
Mercer Human Resource Consulting – Professional Services Rendered	\$77,703.00
Business Information Solutions Inc. – Storage of CRS files	\$73.92
All Star Personnel Inc. – Temporary Personnel Services	\$1,258.01
City Treasurer – Reimbursement for funds for repayment of loan	\$1,757.78
The Bank of New York – Custodial fees from 1/1/05 – 3/1/05	\$25,067.92
All Star Personnel Inc. – Temporary Personnel Services	\$1,351.97
Mae Consulting Inc. – Professional Services Rendered	\$40.00

George Nicolaides – Reimbursement for travel expenses incurred for Pension Manager Interview	\$555.46
Mercer Human Resource Consulting – Professional Services Rendered	\$824.29
Joe Harrison, Sr. – Reimbursement for Per Diem while attending conference in Las Vegas, NV – May 5-12, 2005	\$252.00
Michael Rachford – Reimbursement for Per Diem while attending conference in Las Vegas, NV – May 5-12, 2005	\$252.00
Linda Johnson – Reimbursement for Notary Public fee	\$5.00
City of Cincinnati Finance/Printing Services – Charges for the month of April 2005	\$2,193.59

The Secretary reported that at the close of business 30, 2005, there was in the Treasury to the credit of the Retirement System the amount of \$3,397,685.48.

Asset Valuation: (Unaudited Data)

- December 31, 2004: \$2.40 billion
- March 31, 2005: \$2.35 billion
- YTD Increase (Decrease): (2.12%)

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 52.0% (50%)
- International: 14.1% (13.5%)
- Fixed Income: 33.1% (33.5%)
- Alternative Assets/Treasury Cash: 0.8% (3%)

Pending Business

Mr. Moller reported that the retirement staff has contacted PCA/EFI to advise them that the Board is now ready to resume the asset/liability study. Mr. Moller stated that the first step would be for EFI to update their liability model with 12/31/2004 data, and this update would result in additional cost for completing the asset/liability study. Once the liability model is updated, the consultants will begin the asset allocation portion of the study.

Mr. Moller also reported that the Citizen Member Search Committee has a few candidates for the vacant citizen representative member. Mr. Moller instructed the board members to submit their nominations to the search committee within the next few weeks if they have candidates that they want to nominate.

Mr. Radford suggested that the motion submitted by Mr. Pickering over a year ago be redistributed. Mr. Pickering agreed to redistribute his motion at the next board meeting.

Mr. Moller reported that the candidates for the Pension Fund Manager position are still under consideration. Mr. Ryder asked if this appointment is subject to Board approval. Ms. Hardin (Assistant City Solicitor) responded that this would be considered a City Manager appointment, but that input from the Board will be major factor in the selection process. Mr. Radford commented that both he and Mr. Moller are representing the Board in the selection process.

Actuary Report

Mr. Gary Dickson of Mercer Human Resource Consulting was on hand to present the actuarial reports for the year ended 12/31/2004. Mr. Dickson distributed both the Actuarial Valuation Report as well as the Management Report, and then proceeded to present the Management Report to the Board.

Mr. Dickson began his presentation by summarizing the report with the following three comments:

- 1) The funding progress of the plan held steady in 2004 and remains at about 94%.
- 2) The required contribution to pay for both benefits and the un-funded liability increased from 30.3% of pay to 32.2% of pay.
- 3) The current total contribution rate of 18.5% (11% employer contribution and 7% employee contribution) is not enough to cover the normal cost of providing benefits. Thus, the plan is on a path to become more under-funded unless changes are made to the plan design, contributions are increased, or investment returns exceed the 8.75% assumed rate of return.

Other points made by Mr. Dickson include:

- 1) The number of full-time active participants has continued to decline. This is a result of fewer active members from the closed groups as well as the number of full-time hires by the City continuing to decline. Mr. Dickson also reported that the number of retirees has remained relatively steady over the last few years.
- 2) The fund experienced an actuarial gain of \$30.5 million on investment experience in 2004. The smoothing method utilized by the fund will result in these gains being recognized equal installments over a five-year period.

Mr. Radford commented that the Board should continue to pursue cost savings in investment manager fees. Mr. Radford suggested the Board send a letter to all current managers requesting a 15% reduction in management fees, which would result in annual saving of approximately \$1 million.

Mr. Ryder commented that the City should contribute at a minimum the long-term normal cost of funding benefits so the under-funded position does not further deteriorate. Mr. Radford commented that it is the escalating healthcare costs that are seriously hurting the fund, and the only way to fix the funding problem is to either increase contributions or decrease benefits.

Mr. Pickering asked Mr. Dickson if a 15-year period for amortizing the un-funded liability is standard. Mr. Dickson indicated that the 15-year amortization period is typical, and that he would not consider the 15-year period to be either overly conservative or aggressive.

Mr. Dickson indicated that there are two issues that the Board needs to address in the very near future. Reimbursements from Medicare – part D (prescription drug coverage) will commence in 2006, and the Board needs to decide on how to coordinate current drug benefits with the benefits that will be provided by Medicare. Mr. Dickson suggested that the largest cost savings may be achieved by having retirees not sign up for Medicare- part D, and then the City would get reimbursed directly from Medicare for a portion of the prescription drug costs. In order to do this, the retirement system will have to submit a list of all covered retirees to social security by September 2005.

Mr. Dickson also commented that the actuarial investment return assumption of 8.75% is on the high end of the range of reasonable return assumptions. Mr. Dickson suggested that the Board look at this very closely in the asset allocation portion of the asset/liability study.

New Business

Mr. Radford allowed Mr. Kevin Shepherd, retired member, to address the Board. Mr. Shepherd indicated that he has been working in a study group since February with a number of other retirees, and they have many questions as a result of their studies. Mr. Radford commented that the retirees have a very capable representative in Mr. Ryder who they should work with in their communications to the Board. Mr. Moller asked Mr. Shepard to submit their questions in writing to him, and then he would work with the retirement staff to provide a response to their questions.

Mr. Shepard also commented that he as well as a few other retired members will continue to attend the various committee meetings in order to help facilitate communications between the Board and retired members.

Mr. Radford indicated that he would allow a few minutes at the end of each meeting for public comments. This will give retirees, as well as active members and taxpayers, the opportunity to communicate directly with the Board. The meeting ended at 2:45 pm.